

## **DNR Permits & Fees Committee Meeting Minutes - August 14, 2003**

**Participants:** Myron Hafele, Kohler Co.; Paul Whilte, We Energies; Rick Osa, STS Consultants; Patrick Stevens, WI Transportation Development Association; Ty Stocksdale, SC Johnson; Jason Martin, Short Elliott Hendrickson; Annabeth Reiter, StoraEnso; Todd Palmer, DeWitt Ross & Stevens; Megan Stoltz, Hamilton Consulting Group; Michele Pluta, Alliant Energy; Jay Ehrfurth, Dept. of Administration; Renee Bashel, Dept. of Commerce; Jeff Ripp, Legislative Audit Bureau; John Stolzenberg, Legislative Council; Elizabeth Kluesner, DNR Executive Assistant; Lloyd Eagan, Jeff Hanson, Steve Dunn, Jon Heinrich, Caroline Garber, and Anne Urbanski (notetaker), DNR Bureau of Air Management.

**Handouts/overheads:** Available at <http://www.dnr.state.wi.us/org/aw/air/hot/permitsfees/>

**Next meeting:** Thursday, September 4, 2003, at 1:00 p.m. in Room 027, GEF 2 (Natural Resources Bldg.), 101 S. Webster Street, Madison.

Elizabeth Kluesner welcomed the group. DNR wants to end up with a regulatory framework for New Source Review that makes sense and can be explained to the public easily. The Secretary's office appreciates the commitment of both Air Management staff and the regulated community to this project.

**Status of workgroup formation** - Lloyd Eagan said DNR is attempting to balance the work groups geographically and by industry. Some of the non-governmental organization spots still need to be filled. She explained that the NSR rule update effort (the focus of this meeting), a component of the Air Permit Improvement Initiative, is separate from the air permit streamlining component of the Initiative, which will be a longer-term effort. Rule writing for a proposed general construction permit rule is going ahead on its own.

**Air Permit Improvement Initiative (APII)** - Eagan listed DNR's objectives, which are: Support environmental protection goals, reduce permit transaction costs, and manage decreasing resources while meeting regulatory obligations. APII will have two primary focuses. Mary Jo Kopecky, assistant administrator of the Air & Waste Division, is leading the permit streamlining effort, while Eagan is leading the NSR retooling effort. DNR has a very aggressive timetable for NSR retooling. Team members will receive official appointments soon and recommendations will be sent to the Natural Resources Board in December 2003. The permit streamlining effort, on the other hand, could take up to two years. Eagan and Kopecky both report directly to Kluesner and the Secretary's office on this project.

**DNR's interests in NSR reform** - Eagan said DNR has four bottom-line issues. The department feels strongly that changes to NSR must result in decreased emissions in N/A areas over time, without deterring industrial growth. NSR must reduce emissions over time in nonattainment areas so those areas can attain air quality standards; it should also help to decrease air emissions over time so Wisconsin businesses can expand without violating air quality standards. NSR cannot affect the "air quality increment" in attainment areas. DNR also must preserve local air quality on a site-to-site basis through dispersion modeling and minimize its administrative burden and transaction costs. (Guy seated to left of M. Pluta, don't know his name) asked if this effort would focus on modifications to existing sources; Jeff Hanson explained that this group might discuss totally new sources as well as modifications to existing sources. There was discussion of situations in which emission increases might or might not use up increment. Eagan said it's important for emissions to decrease in attainment areas to provide a continuing buffer for new sources.

Issues DNR might address in the NRS effort include: Clean unit exemptions, plant-wide applicability levels (PALs), pollution prevention projects, applicability test, clarification and State air permitting requirements. DNR is proposing the following approach: Support DNR's bottom line issues; address EPA's program elements including incentives for voluntary emission control and demonstrating equivalency where state program differs; and draw on resources such as the Kettl Report and the STAPPA/ALAPCO model rule (expected 9/03) that will provide a menu of options rather than a strict template. DNR would like the final rule to address these considerations: (1) Establish exemptions for clean units at current Best Available Control Technology (BACT) or better. (2) For PALs, use average of last five years, rather than any two-year period in the past ten years, and set PAL renewal rate at emission average for preceding five years. (3) For pollution control/prevention projects, sources should be required to modeling to ensure the project protects local ambient air quality. (4) "Actual emissions to potential emissions" applicability test for PALs modified units would apply to most recent five years instead of any two years in the last ten. Eagan also noted that the federal NSR proposal did not adequately address clean units in nonattainment areas, investment needed in clean units, toxics, demand-based increase when calculating projected future actual emissions, or future demand impacts related to pollution control projects. Eagan also said DNR wants to streamline state permit rules, which will be done in the parallel Air Permit Improvement Initiative.

So this group needs to think about which items to tackle first. DNR thinks the best starting points are clean units and PALs. Discussion touched on pollution control projects, applicability tests, "actual to potential" emissions tests, economic versus altruistic or environmental motivations for reducing emissions, whether a PAL is a good idea for a plant whose output increases each year, whether every tool should work for every company (no), and whether to make provisions for emission baselines that change dramatically due to economic swings.

**Future meetings:** Eagan said the next meeting will focus on participants describing and explaining their interests in NSR reform. She introduced Darrin Harris of DNR's Office of Management & Budget, who explained that sharing of interests is a time to listen to stated interests and clarify the underlying meaning. He asked how the pieces of NSR should be sequenced; Hanson said they are all tied together but the group could probably make good headway by starting with clean units and PALs. Harris suggested figuring out "sub-issues" first and deciding how to build on those. Jon Heinrich suggested setting a date for the next meeting and determining who would like to either share interests or make a presentation. Annabeth Reiter suggested identifying aspects of clean units that people like or don't like, to help the group prioritize issues. Michele Pluta asked if participants would break into small groups; Eagan said DNR is still organizing and filling in the group lists. The general sense of the group was to hold the next meeting during the week of August 25-29; Eagan will e-mail the group about their availability for specific dates. The next meeting will focus on clean units or PALs; a matrix of interests will be developed based on information shared.

Stevens asked if the General Construction Permit is on schedule for rulemaking. Steve Dunn said yes, and there will be a separate meeting on that topic in September.

Reiter asked how often the NSR group will meet. Eagan said the group as a whole will probably meet bi-weekly, while subgroups will probably meet more often. The larger group might try to map out a meeting schedule at its next meeting. Reiter also suggested establishing a timeline for working through issues, to make sure that issues don't fall through the cracks.